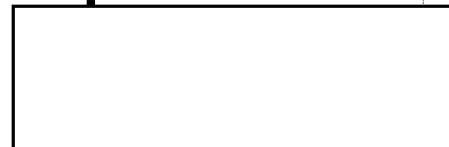


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2 ARGENTINA: Peron's political judgments and actions since his return in June are beginning to raise doubts in Argentina that he will be able to restore stability and cope with the serious economic and political situation.

2 The zigzag course pursued by Peron during his earlier presidency is again apparent in the trend of recent developments and may reflect how little his basic political reflexes have changed. If Peron's aim in removing Campora was to use his own mystique to bring some semblance of unity to the fractious Argentine community, his political maneuvering to date provides little evidence that he is making any headway in that direction. By shunting aside efforts to achieve a national conciliation slate with the opposition and naming his wife as his running mate, Peron seems to be behaving in a purely opportunistic manner and with no coherent plan in mind.

2 Despite uncertainties about his intentions, Peron still commands the overwhelming support of his followers--and some former enemies as well--who see him as the only leader who can bring the country out of this extended political crisis. That faith will erode if Peron is unable to speed the agonizingly slow efforts of the Peronists to come to grips with major problems.

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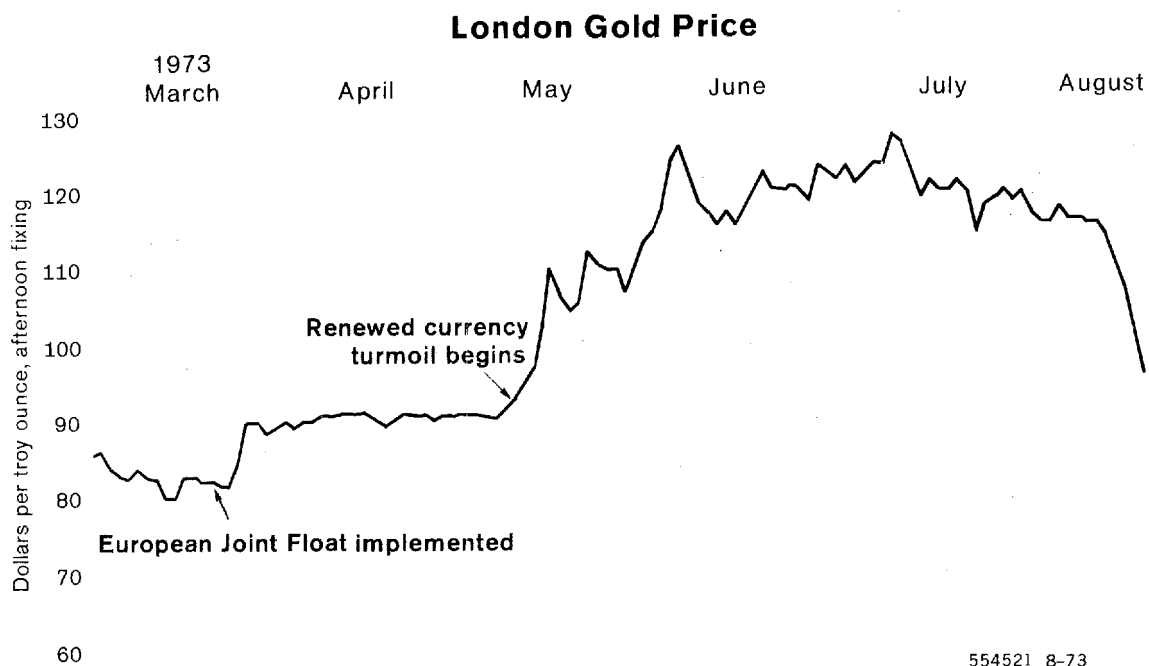
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INTERNATIONAL MONETARY DEVELOPMENTS: The sharp drop in the price of gold is continuing, falling to \$95 an ounce yesterday. Rapidly rising US and Euro-currency interest rates apparently remain a key factor, inducing money managers and speculators to eschew gold purchases in favor of interest-bearing investments. Rising interest rates are also a major contributor to the dollar's growing strength vis-a-vis other currencies.

Swiss banks offered larger than usual quantities of gold for sale on 9 and 10 August in London and Zurich. The action suggests profit-taking by small holders. There is no firm evidence yet of large-scale unloading by speculators. Gold sales by South Africa, and apparently by the USSR, have remained relatively constant. Most of the gold buying in the last month has been for commercial use; between late May and mid-July speculative purchases overshadowed commercial buying.

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MALAYSIA: The cabinet shuffle on 13 August involved familiar faces with proven loyalty to Prime Minister Razak and ensures policy continuity. The appointments, which kept intact the government's alliance of various political and communal factions, were almost certainly allotted with an eye on national elections early next year.

The most important appointments were to government positions held by Deputy Prime Minister Tun Ismail, who died ten days ago. Datuk Hussein Onn, Razak's brother-in-law, was named Deputy Prime Minister and Minister for Trade and Industry. Onn is a Malay racial moderate with a good reputation in the dominant United Malay National Organization (UMNO) and within the Chinese community.

The appointment of Tan Sri Ghazali Shafie as Minister of Home Affairs may generate some controversy. In the past, Razak has depended heavily on the intelligent and politically ambitious Ghazali for advice, but Ghazali's lack of a personal political base and his many enemies within UMNO have limited his influence. Ghazali now has authority over the police and considerable responsibility for dealing with communal problems and Communist insurgency. If he uses his new position to promote his public career, tension within UMNO is likely to mount.

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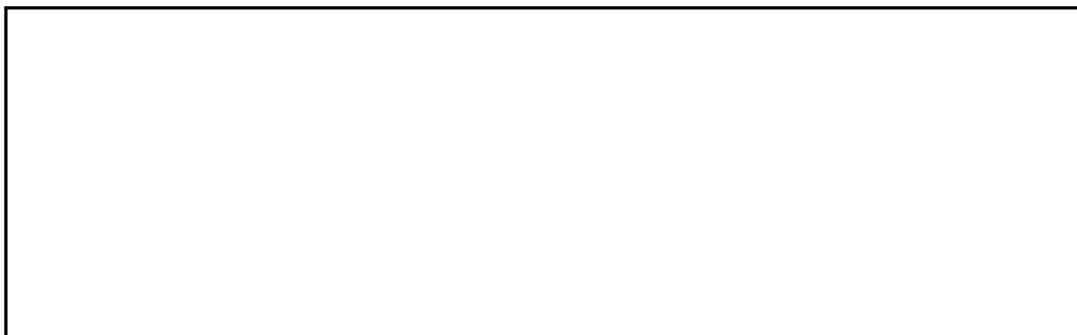
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Saudi Arabia: The riyal was revalued by 5.08 percent in terms of gold on 11 August, following two days during which all foreign currency markets in the country were closed. The long-rumored revaluation will increase the value of the riyal to 28.16 cents as compared with the previous rate of 27 cents. The action will have no effect on royalty payments made by the oil companies to the government, because they are made in dollars.

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**These items were prepared by CIA without consultation with the Departments of State and Defense.*

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